

By: Aycock

H.B. No. 654

A BILL TO BE ENTITLED

AN ACT

relating to public school finance and the formation of school finance districts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle I, Title 2, Education Code, is amended by adding Chapter 42A to read as follows:

CHAPTER 42A. PUBLIC SCHOOL FINANCE SYSTEM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 42A.001. STATE POLICY. (a) It is the policy of this state that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through state revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(b) The public school finance system of this state shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

Sec. 42A.002. PUBLIC SCHOOL FINANCE SYSTEM. (a) The public

1 school finance system consists of state funding as provided by  
2 Subchapter C and local funding as provided by Subchapter D, with  
3 each source of funding distributed on the basis of weighted average  
4 daily attendance, as determined under Section 42A.102.

5 (b) Additional amounts of funding are made available  
6 through the public school finance system for specified purposes as  
7 provided by law.

8 Sec. 42A.003. STUDENT ELIGIBILITY. (a) A student is  
9 entitled to the benefits of the public school finance system if, on  
10 September 1 of the school year, the student:

11 (1) is 5 years of age or older and under 21 years of age  
12 and has not graduated from high school, or is at least 21 years of  
13 age and under 26 years of age and has been admitted by a school  
14 district to complete the requirements for a high school diploma; or

15 (2) is at least 19 years of age and under 26 years of  
16 age and is enrolled in an adult high school diploma and industry  
17 certification charter school pilot program under Section [29.259](#).

18 (b) A student to whom Subsection (a) does not apply is  
19 entitled to the benefits of the public school finance system if the  
20 student is enrolled in a prekindergarten class under Section  
21 [29.153](#).

22 (c) A child may be enrolled in the first grade if the child  
23 is at least six years of age at the beginning of the school year of  
24 the district or has been enrolled in the first grade or has  
25 completed kindergarten in the public schools in another state  
26 before transferring to a public school in this state.

27 (d) Notwithstanding Subsection (a), a student younger than

1 five years of age is entitled to the benefits of the public school  
2 finance system if:

3 (1) the student performs satisfactorily on the  
4 assessment instrument administered under Section 39.023(a) to  
5 students in the third grade; and

6 (2) the district has adopted a policy for admitting  
7 students younger than five years of age.

8 Sec. 42A.004. AVERAGE DAILY ATTENDANCE. (a) In this  
9 chapter, average daily attendance is:

10 (1) the quotient of the sum of attendance for each day  
11 of the minimum number of days of instruction as described under  
12 Section 25.081(a) divided by the minimum number of days of  
13 instruction;

14 (2) for a district that operates under a flexible year  
15 program under Section 29.0821, the quotient of the sum of  
16 attendance for each actual day of instruction as permitted by  
17 Section 29.0821(b)(1) divided by the number of actual days of  
18 instruction as permitted by Section 29.0821(b)(1); or

19 (3) for a district that operates under a flexible  
20 school day program under Section 29.0822, the average daily  
21 attendance as calculated by the commissioner in accordance with  
22 Section 29.0822(d).

23 (b) For purposes of this chapter, the average daily  
24 attendance of a school district that experiences a decline of two  
25 percent or more in average daily attendance is considered to be:

26 (1) the actual average daily attendance of the  
27 preceding school year, if the decline is the result of the closing

1 or reduction in personnel of a military base; or

2 (2) subject to Subsection (e), an average daily  
3 attendance not to exceed 98 percent of the actual average daily  
4 attendance of the preceding school year, if the decline is not the  
5 result of the closing or reduction in personnel of a military base.

6 (c) The commissioner shall adjust the average daily  
7 attendance of a school district that has a significant percentage  
8 of students who are migratory children as defined by 20 U.S.C.  
9 Section 6399.

10 (d) The commissioner may adjust the average daily  
11 attendance of a school district in which a disaster, flood, extreme  
12 weather condition, fuel curtailment, or other calamity has a  
13 significant effect on the district's attendance.

14 (e) For each school year, the commissioner shall adjust the  
15 average daily attendance of school districts that are considered to  
16 have an adjusted average daily attendance under Subsection (b)(2)  
17 so that:

18 (1) all districts are considered to have the same  
19 percentage of the preceding year's actual average daily attendance;  
20 and

21 (2) the total cost to the state does not exceed the  
22 amount specifically appropriated for that year for purposes of  
23 Subsection (b)(2).

24 (f) An open-enrollment charter school is not entitled to an  
25 adjustment under Subsection (b)(2).

26 (g) If a student may receive course credit toward the  
27 student's high school academic requirements and toward the

1 student's higher education academic requirements for a single  
2 course, including a course provided under Section 28.009 by a  
3 public institution of higher education, the time during which the  
4 student attends the course shall be counted as part of the minimum  
5 number of instructional hours required for a student to be  
6 considered a full-time student in average daily attendance for  
7 purposes of this section.

8 Sec. 42A.005. AVERAGE DAILY ATTENDANCE FOR DISTRICTS IN  
9 DISASTER AREA. (a) From funds specifically appropriated for the  
10 purpose or other funds available to the commissioner for that  
11 purpose, the commissioner shall adjust the average daily attendance  
12 of a school district all or part of which is located in an area  
13 declared a disaster area by the governor under Chapter 418,  
14 Government Code, if the district experiences a decline in average  
15 daily attendance that is reasonably attributable to the impact of  
16 the disaster.

17 (b) The adjustment must be sufficient to ensure that the  
18 district receives funding comparable to the funding that the  
19 district would have received if the decline in average daily  
20 attendance reasonably attributable to the impact of the disaster  
21 had not occurred.

22 (c) The commissioner shall make the adjustment required by  
23 this section for the two-year period following the date of the  
24 governor's initial proclamation or executive order declaring the  
25 state of disaster.

26 (d) Section 42A.004(b)(2) does not apply to a district that  
27 receives an adjustment under this section.

1 (e) A district that receives an adjustment under this  
2 section may not receive any additional adjustment under Section  
3 42A.004(d) for the decline in average daily attendance on which the  
4 adjustment under this section is based.

5 (f) For purposes of this title, a district's adjusted  
6 average daily attendance under this section is considered to be the  
7 district's average daily attendance as determined under Section  
8 42A.004.

9 Sec. 42A.006. REFERENCES TO FOUNDATION SCHOOL PROGRAM. A  
10 reference in law to the Foundation School Program means the public  
11 school finance system under this chapter.

12 SUBCHAPTER B. PERMISSIBLE WEALTH LEVEL AND SCHOOL FINANCE

13 DISTRICTS

14 Sec. 42A.051. DEFINITIONS. In this subchapter:

15 (1) "Wealth per weighted student" means the taxable  
16 value of property, as determined under Subchapter M, Chapter 403,  
17 Government Code, divided by the number of students in weighted  
18 average daily attendance.

19 (2) "Weighted average daily attendance" means the  
20 number of students in total weighted average daily attendance in a  
21 school district as determined under Section 42A.102 and as adjusted  
22 under Subchapter C, if applicable.

23 Sec. 42A.052. PERMISSIBLE RANGE OF WEALTH. (a) Using the  
24 most current information available, the commissioner shall  
25 determine the statewide average total property tax rate imposed by  
26 school districts in this state, the statewide average wealth per  
27 weighted student of school districts in this state, and the tax

1 revenue per weighted student that would result from imposing the  
2 average tax rate against the average wealth per weighted student.

3 (b) A school district's wealth per weighted student is  
4 required to be:

5 (1) at least the wealth that, at the average tax rate  
6 determined under Subsection (a), would result in revenue per  
7 weighted student that is \$300 less than the amount of revenue per  
8 weighted student determined by the commissioner under Subsection  
9 (a); and

10 (2) not more than the wealth that, at the average tax  
11 rate determined under Subsection (a), would result in revenue per  
12 weighted student that is \$300 more than the amount of revenue per  
13 weighted student determined by the commissioner under Subsection  
14 (a).

15 (c) The commissioner shall notify each school district  
16 determined to have a wealth per weighted student that is not within  
17 the permissible range of wealth under this section. The  
18 commissioner shall also publish the permissible range of wealth on  
19 the agency's Internet website.

20 (d) The commissioner shall revise the determination of  
21 permissible wealth level and provide the notification required by  
22 this section every 10 years.

23 Sec. 42A.053. CREATION OF SCHOOL FINANCE DISTRICT. (a) If  
24 the wealth per weighted student of a school district is not within  
25 the permissible range under Section 42A.052, the district must form  
26 a school finance district with one or more other school districts in  
27 accordance with this subchapter or be subject to consolidation by

1 the commissioner under Section 42A.062.

2 (b) The board of trustees of each school district proposing  
3 to form a school finance district must execute an agreement to  
4 conduct an election on the creation of the district for the purpose  
5 of consolidating the tax bases of the component school districts.

6 (c) The boards of trustees may not proceed with the election  
7 unless the proposed agreement is approved by the commissioner as  
8 provided by Section 42A.054.

9 (d) The agreement must provide that:

10 (1) each component school district will receive from  
11 the maintenance tax revenue of the school finance district an equal  
12 amount of money per student in weighted average daily attendance;  
13 and

14 (2) the school finance district will assume all the  
15 indebtedness of the component school districts.

16 Sec. 42A.054. APPROVAL BY COMMISSIONER. The commissioner  
17 shall approve a proposed school finance district agreement if:

18 (1) the board of trustees of each component school  
19 district has approved the proposed school finance district; and

20 (2) the proposed school finance district's wealth per  
21 weighted student will be within the permissible range under Section  
22 42A.052.

23 Sec. 42A.055. ELECTION REQUIRED. (a) An agreement under  
24 this subchapter must provide for the ordering of an election to be  
25 held on the same date in each component school district. The  
26 election must be held on a Tuesday or Saturday, and Section 41.001,  
27 Election Code, does not apply to the election.

1       (b) The ballot shall be printed to permit voting for or  
2 against the proposition: "Creation of a school finance district  
3 composed of the consolidated territory for taxing purposes of  
4 \_\_\_\_\_ school districts, and authorizing the  
5 levy, assessment, and collection of annual ad valorem taxes for the  
6 maintenance of the public free schools within that territory at a  
7 rate not to exceed \$\_\_\_\_\_ on the \$100 valuation of taxable  
8 property; and further to create a consolidated tax base for the  
9 repayment of all bonded indebtedness issued by the joint board of  
10 the school finance district or previously issued by the component  
11 school districts and to authorize the joint board of the school  
12 finance district to levy, pledge, and collect ad valorem taxes at a  
13 rate sufficient to pay the principal of and interest on those  
14 bonds."

15       (c) The rate of the tax for maintenance of the public free  
16 schools to be included in the proposition shall be provided by the  
17 agreement among the component school districts.

18       (d) The proposition is approved only if the proposition  
19 receives a favorable vote of the majority of the votes cast within  
20 each component school district.

21       Sec. 42A.056. STATUS OF SCHOOL FINANCE DISTRICT. (a) A  
22 school finance district is a school district established for the  
23 limited purpose of exercising the taxing power authorized by  
24 Section 3, Article VII, Texas Constitution, and distributing the  
25 revenue to its component school districts as provided by this  
26 chapter.

27       (b) A school finance district may issue bonds as provided by

1 Chapter 45.

2 (c) A school finance district is subject to any provision of  
3 law applicable to a school district that relates to imposition of  
4 taxes, issuance of bonds, collection and distribution of tax  
5 revenue, or the determination of a school district's entitlement to  
6 funding under this chapter.

7 Sec. 42A.057. GOVERNANCE. (a) A school finance district is  
8 governed by the boards of trustees of the component school  
9 districts acting jointly.

10 (b) Any action taken by the joint board must receive a  
11 favorable vote of a majority of each component school district's  
12 board of trustees.

13 Sec. 42A.058. MAINTENANCE AND BOND TAXES. (a) The joint  
14 board shall levy a maintenance tax for the benefit of the component  
15 school districts not later than September 1 of each year or as soon  
16 thereafter as practicable.

17 (b) The joint board shall levy a bond tax if necessary to pay  
18 principal and interest on bonds issued by the joint board or to pay  
19 indebtedness of component school districts assumed by the school  
20 finance district.

21 (c) Each component school district shall bear a share of the  
22 costs of assessing and collecting taxes in proportion to the  
23 component school district's share of weighted average daily  
24 attendance in the school finance district.

25 (d) A component school district may not levy maintenance or  
26 bond taxes.

27 (e) A school finance district is entitled to assistance with

1 payment of existing debt under Subchapter B, Chapter 46.

2 Sec. 42A.059. DISSOLUTION OF SCHOOL FINANCE DISTRICT. (a)  
3 A school finance district formed under this subchapter exists for  
4 10 years after the date the district was created. On the expiration  
5 of the 10-year period, a school finance district is dissolved.

6 (b) Each component school district that remains, after the  
7 commissioner's revision of the permissible range of wealth, subject  
8 to the requirement to form a school finance district under Section  
9 42A.053(a) shall form a new school finance district or seek  
10 continuation of the former school finance district, as provided by  
11 Section 42A.060.

12 Sec. 42A.060. CONTINUED MEMBERSHIP IN SCHOOL FINANCE  
13 DISTRICT. (a) A school district shall form a new school finance  
14 district in the manner provided by this subchapter or continue an  
15 existing school finance district if the school district continues  
16 to have a wealth per weighted student that is not within the most  
17 recently determined permissible range of wealth.

18 (b) The board of trustees of each component school district  
19 that seeks to continue an existing school finance district shall  
20 seek the commissioner's approval to continue the school finance  
21 district for another 10-year period.

22 (c) The commissioner shall approve the continuation of a  
23 school finance district for a succeeding 10-year period if:

24 (1) the board of trustees of each component school  
25 district petitions the commissioner for the continuation of the  
26 school finance district; and

27 (2) the school finance district's wealth per weighted

1 student is within the most recently determined permissible range of  
2 wealth.

3 (d) An existing school finance district that obtains the  
4 commissioner's approval for a succeeding 10-year period is not  
5 required to obtain renewed voter approval.

6 Sec. 42A.061. OPTIONAL FORMATION OR CONTINUATION OF SCHOOL  
7 FINANCE DISTRICT. The board of trustees of a school district not  
8 required to form or continue a school finance district under this  
9 subchapter may elect to do so by satisfying the requirements for  
10 formation or continuation provided by this subchapter.

11 Sec. 42A.062. CONSOLIDATION BY COMMISSIONER. (a) A school  
12 district required to form a school finance district under Section  
13 42A.053 is subject to consolidation under this section if the  
14 district has not, before the date specified by the commissioner:

15 (1) agreed to be a member of a school finance district;

16 (2) obtained approval of the commissioner as required  
17 by Section 42A.053; and

18 (3) received the approval of the voters in each  
19 component school district regarding the formation of the school  
20 finance district and the imposition of taxes.

21 (b) The commissioner shall order the consolidation of a  
22 school district described by Subsection (a) with one or more other  
23 school districts. The commissioner shall consolidate school  
24 districts so that the projected wealth per weighted student of the  
25 consolidated school district is within the permissible range of  
26 wealth.

27 Sec. 42A.063. GOVERNANCE OF CONSOLIDATED DISTRICT. (a)

1 Until the initial trustees elected as provided by Subsection (b)  
2 have qualified and taken office, a district consolidated under  
3 Section 42A.062 is governed by a transitional board of trustees  
4 consisting of the board of trustees of the district having the  
5 greatest student membership on the last day of the school year  
6 preceding the consolidation plus one member of the board of  
7 trustees of each other consolidating district selected by that  
8 board.

9 (b) The transitional board of trustees shall divide the  
10 consolidated district into nine single-member trustee districts in  
11 accordance with the procedures provided by Section 11.052. The  
12 transitional board shall order an election for the initial board of  
13 trustees to be held on the first May uniform election date after the  
14 effective date of a consolidation order.

15 (c) Members of the board of trustees of a consolidated  
16 district serve staggered terms of office for four years.

17 (d) Section 13.156 applies to districts consolidated under  
18 this subchapter.

19 Sec. 42A.064. FUND BALANCES OF CONSOLIDATED DISTRICT. Fund  
20 balances of a school district consolidated under Section 42A.062  
21 may be used only for the benefit of the schools within the district  
22 that generated the funds.

23 Sec. 42A.065. EMPLOYMENT CONTRACTS OF CONSOLIDATED  
24 DISTRICT. A consolidated district created under Section 42A.062  
25 shall honor an employment contract entered into by a consolidating  
26 district.

27 Sec. 42A.066. COMMISSIONER TO APPROVE SUBSEQUENT BOUNDARY

1 CHANGES. A school district that is involved in an action under this  
2 chapter that results in boundary changes to the district or in the  
3 consolidation of tax bases into a school finance district is  
4 subject to consolidation, detachment, or annexation under Chapter  
5 13 only if the commissioner certifies that the change under Chapter  
6 13 will not result in a district with a wealth per weighted student  
7 that is not within the permissible range of wealth.

8 Sec. 42A.067. HOMESTEAD EXEMPTIONS. (a) The governing  
9 board of a school district that results from consolidation under  
10 this chapter, including consolidation of tax bases into a school  
11 finance district, for the tax year in which the consolidation  
12 occurs may determine whether to adopt a homestead exemption  
13 provided by Section 11.13, Tax Code, and may set the amount of the  
14 exemption, if adopted, at any time before the governing board  
15 adopts a tax rate for that tax year. This section applies only to an  
16 exemption that the governing board of a school district is  
17 authorized to adopt or change in amount under Section 11.13, Tax  
18 Code.

19 (b) This section prevails over any inconsistent provision  
20 of Section 11.13, Tax Code, or other law.

21 Sec. 42A.068. TAX ABATEMENTS. (a) A tax abatement  
22 agreement executed by a school district that is involved in  
23 consolidation under this chapter is not affected and applies to the  
24 taxation of the property covered by the agreement as if executed by  
25 the district within which the property is included.

26 (b) The commissioner shall determine the wealth per  
27 weighted student of a school district under this chapter as if any

1 tax abatement agreement executed by a school district on or after  
2 May 31, 1993, had not been executed.

3 Sec. 42A.069. TAX INCREMENT OBLIGATIONS. The payment of  
4 tax increments under Chapter 311, Tax Code, is not affected by the  
5 consolidation of territory or tax bases under this chapter. In each  
6 tax year a school district paying a tax increment from taxes on  
7 property over which the district has assumed taxing power is  
8 entitled to retain the same percentage of the tax increment from  
9 that property that the district in which the property was located  
10 before the consolidation could have retained for the respective tax  
11 year.

12 Sec. 42A.070. REQUIRED NUMBER OF SCHOOL FINANCE DISTRICTS.  
13 In approving the formation or continuation of school finance  
14 districts under this subchapter, the commissioner shall ensure the  
15 formation of not fewer than 30 school finance districts in the  
16 state.

17 SUBCHAPTER C. STATE FUNDING

18 Sec. 42A.101. STATE FUNDS. (a) Each biennium, the  
19 legislature shall set by appropriation the amount of state funds to  
20 be distributed each school year for public education in accordance  
21 with this chapter.

22 (b) The amount appropriated shall be distributed to school  
23 districts on the basis of each district's total weighted average  
24 daily attendance, as computed under this subchapter, with each  
25 district entitled to receive the same amount of state funds per  
26 student in weighted average daily attendance.

27 (c) Distributions shall be made in accordance with the

1 payment schedule adopted under Section 42A.204.

2 Sec. 42A.102. DETERMINATION OF WEIGHTED AVERAGE DAILY  
3 ATTENDANCE. (a) The total weighted average daily attendance of a  
4 school district is the sum of the weighted average daily attendance  
5 for each educational program for which a student multiplier is  
6 provided under Subsection (b), as determined by the formula:

7 
$$\underline{EPWADA = S \times SM \times CEI}$$

8 where:

9 "EPWADA" is the weighted average daily attendance for the  
10 educational program;

11 "S" is the number of students in average daily attendance,  
12 number of full-time equivalent students, or number of students  
13 enrolled, as appropriate, in the educational program for which the  
14 computation is made;

15 "SM" is the student multiplier for the educational program,  
16 as provided by Subsection (b); and

17 "CEI" is 50 percent of the cost of education index adjustment  
18 for the school district adopted by the foundation school fund  
19 budget committee to reflect the geographic variation in known  
20 resource costs and costs of education due to factors beyond the  
21 control of the school district contained in Chapter 203, Title 19,  
22 Texas Administrative Code, as that chapter existed on January 1,  
23 1997.

24 (b) The student multipliers are:

25 (1) 1.0 for a student in average daily attendance, not  
26 including time the student spends each day in a special education  
27 program in an instructional arrangement other than mainstream or in

- 1 a career and technology education program;  
2           (2) 1.1 for a student in a special education program in  
3 a mainstream instructional arrangement;  
4           (3) 5.0 for a full-time equivalent student in a  
5 special education program in a homebound instructional  
6 arrangement;  
7           (4) 3.0 for a full-time equivalent student in a  
8 special education program in a hospital class instructional  
9 arrangement;  
10           (5) 5.0 for a full-time equivalent student in a  
11 special education program in a speech therapy instructional  
12 arrangement;  
13           (6) 3.0 for a full-time equivalent student in a  
14 special education program in a resource room instructional  
15 arrangement;  
16           (7) 3.0 for a full-time equivalent student in a  
17 special education program in a self-contained, mild and moderate,  
18 regular campus instructional arrangement;  
19           (8) 3.0 for a full-time equivalent student in a  
20 special education program in a self-contained, severe, regular  
21 campus instructional arrangement;  
22           (9) 2.7 for a full-time equivalent student in a  
23 special education program in an off-home campus instructional  
24 arrangement;  
25           (10) 1.7 for a full-time equivalent student in a  
26 special education program in a nonpublic day school;  
27           (11) 2.3 for a full-time equivalent student in a

- 1 special education program vocational adjustment class;  
2           (12) 4.0 for a student in a special education program  
3 who resides in a care and treatment facility, other than a state  
4 supported living center, whose parent or guardian does not reside  
5 in the district, and who receives educational services from the  
6 district campus;  
7           (13) 2.8 for a student in a special education program  
8 who resides in a state supported living center;  
9           (14) 0.2 for a student who is educationally  
10 disadvantaged or who is a student who does not have a disability and  
11 resides in a residential placement facility in a district in which  
12 the student's parent or guardian does not reside;  
13           (15) 2.41 for a full-time equivalent student who is in  
14 a remedial and support program under Section 29.081 because the  
15 student is pregnant;  
16           (16) 0.1 for a student who is in a bilingual education  
17 or special language program under Subchapter B, Chapter 29;  
18           (17) 1.35 for a full-time equivalent student in an  
19 approved career and technology education program in grades nine  
20 through 12 or in a career and technology education program for  
21 students with disabilities in grades seven through 12;  
22           (18) 0.12 for a student in a program for gifted and  
23 talented students that the district certifies to the commissioner  
24 as complying with Subchapter D, Chapter 29; and  
25           (19) except as provided by Section 42A.256, 0.1 for a  
26 student in average daily attendance who is using a public education  
27 grant under Subchapter G, Chapter 29, to attend school in a district

1 other than the district in which the student resides.

2 (c) In this section:

3 (1) "Career and technology education program" means a  
4 program under Subchapter F, Chapter 29.

5 (2) "Full-time equivalent student" means 30 hours of  
6 contact a week between a student and program personnel.

7 (3) "Special education program" means a program under  
8 Subchapter A, Chapter 29.

9 Sec. 42A.103. SMALL AND MID-SIZED DISTRICT ADJUSTMENT. (a)

10 The adjusted weighted average daily attendance of certain small and  
11 mid-sized districts is computed in accordance with this section.

12 In this section:

13 (1) "AWADA" is the adjusted weighted average daily  
14 attendance;

15 (2) "ADA" is the number of students in average daily  
16 attendance in the district; and

17 (3) "WADA" is the total number of students in weighted  
18 average daily attendance determined under Section 42A.102.

19 (b) The adjusted weighted average daily attendance of a  
20 school district that contains at least 300 square miles and has not  
21 more than 1,600 students in average daily attendance is determined  
22 by the formula:

23 
$$\text{AWADA} = (1 + ((1,600 - \text{ADA}) \times .0004)) \times \text{WADA}$$

24 (c) The adjusted weighted average daily attendance of a  
25 school district that contains less than 300 square miles and has not  
26 more than 1,600 students in average daily attendance is determined  
27 by the formula:

1            AWADA = (1 + ((1,600 - ADA) X .00025)) X WADA

2            (d) The adjusted weighted average daily attendance of a  
3 school district that offers a kindergarten through grade 12 program  
4 and has less than 5,000 students in average daily attendance is  
5 determined by the formula, of the following formulas, that results  
6 in the greatest weighted average daily attendance:

7            (1) the formula in Subsection (b) or (c) for which the  
8 district is eligible; or

9            (2) AWADA = (1 + ((5,000 - ADA) X .000025)) X WADA

10           (e) A school district's adjusted weighted average daily  
11 attendance computed under this section is used in determining the  
12 amount of funding to which the district is entitled under this  
13 chapter on the basis of weighted average daily attendance.

14           Sec. 42A.104. SPARSITY ADJUSTMENT. Notwithstanding  
15 Sections 42A.102 and 42A.103, the weighted average daily attendance  
16 of a school district that has fewer than 130 students in average  
17 daily attendance is 130 students in weighted average daily  
18 attendance if the district offers a kindergarten through grade 12  
19 program and has preceding or current year's average daily  
20 attendance of at least 90 students or is 30 miles or more by bus  
21 route from the nearest high school district. The weighted average  
22 daily attendance of a district offering a kindergarten through  
23 grade 8 program whose preceding or current year's average daily  
24 attendance was at least 50 students or that is 30 miles or more by  
25 bus route from the nearest high school district is 75 students in  
26 weighted average daily attendance. A weighted average daily  
27 attendance of 60 students shall be used if a district offers a

1 kindergarten through grade 6 program and has preceding or current  
2 year's average daily attendance of at least 40 students or is 30  
3 miles or more by bus route from the nearest high school district.

4 SUBCHAPTER D. LOCAL FUNDING

5 Sec. 42A.151. DEPOSIT WITH COMPTROLLER; DISTRIBUTION OF  
6 SCHOOL FINANCE DISTRICT LOCAL FUNDS. (a) Each school finance  
7 district shall submit to the comptroller the local tax revenue  
8 collected by the school finance district. The comptroller shall  
9 hold the money for the school finance district in a numbered account  
10 outside the treasury for distribution to the component school  
11 districts as provided by this section.

12 (b) For each school year, the comptroller shall determine  
13 the total amount available for distribution from a school finance  
14 district's account to the component school districts.

15 (c) In accordance with the payment schedule adopted under  
16 Section 42A.204, the comptroller shall distribute the amount  
17 determined under Subsection (b) to the component school districts  
18 on the basis of the total weighted average daily attendance of each  
19 school district, with each school district in the school finance  
20 district receiving the same amount of local funding per student in  
21 total weighted average daily attendance.

22 (d) The commissioner shall certify the total weighted  
23 average daily attendance of each school district for purposes of  
24 this section.

25 Sec. 42A.152. SCHOOL DISTRICT LOCAL FUNDS. A school  
26 district that is not a member of a school finance district shall  
27 retain control and possession of all local tax revenue, subject to

1 other law applicable to public education funds.

2 SUBCHAPTER E. ADMINISTRATION

3 Sec. 42A.201. ADMINISTRATION BY COMMISSIONER. The  
4 commissioner, in accordance with the rules of the State Board of  
5 Education, shall take such action and require such reports  
6 consistent with this chapter as may be necessary to implement and  
7 administer the public school finance system.

8 Sec. 42A.202. PUBLIC EDUCATION INFORMATION MANAGEMENT  
9 SYSTEM (PEIMS). (a) Each school district shall participate in the  
10 Public Education Information Management System (PEIMS) and shall  
11 provide through that system information required for the  
12 administration of this chapter and of other appropriate provisions  
13 of this code.

14 (b) The commissioner by rule shall require each school  
15 district and open-enrollment charter school to report through the  
16 Public Education Information Management System information  
17 regarding the number of students enrolled in the district or school  
18 who are identified as having dyslexia. The agency shall maintain  
19 the information provided in accordance with this subsection.

20 (c) Each school district shall use a uniform accounting  
21 system adopted by the commissioner for the data required to be  
22 reported for the Public Education Information Management System.

23 (d) Annually, the commissioner shall review the Public  
24 Education Information Management System and shall repeal or amend  
25 rules that require school districts to provide information through  
26 the Public Education Information Management System that is not  
27 necessary. In reviewing and revising the Public Education

1 Information Management System, the commissioner shall develop  
2 rules to ensure that the system:

3 (1) provides useful, accurate, and timely information  
4 on student demographics and academic performance, personnel, and  
5 school district finances;

6 (2) contains only the data necessary for the  
7 legislature and the agency to perform their legally authorized  
8 functions in overseeing the public education system; and

9 (3) does not contain any information related to  
10 instructional methods, except as provided by Section 29.066 or  
11 required by federal law.

12 (e) The commissioner's rules must ensure that the Public  
13 Education Information Management System links student performance  
14 data to other related information for purposes of efficient and  
15 effective allocation of scarce school resources, to the extent  
16 practicable using existing agency resources and appropriations.

17 Sec. 42A.203. ESTIMATE REQUIRED. (a) Not later than  
18 October 1 of each even-numbered year, the agency shall submit to the  
19 legislature an estimate of the student enrollment and a projection  
20 of the weighted average daily attendance of each school district  
21 for the following biennium.

22 (b) The agency shall update the information provided to the  
23 legislature under Subsection (a) not later than March 1 of each  
24 odd-numbered year.

25 Sec. 42A.204. PAYMENT SCHEDULE. In coordination with the  
26 comptroller and the Legislative Budget Board, the commissioner by  
27 rule shall determine a schedule for payment of funds under this

1 chapter.

2 Sec. 42A.205. RECOVERY OF OVERALLOCATED FUNDS. (a) If a  
3 school district has received an overallocation of funds, the agency  
4 shall, by withholding from subsequent allocations of funds for the  
5 current or subsequent school year or by requesting and obtaining a  
6 refund, recover from the district an amount equal to the  
7 overallocation.

8 (b) Notwithstanding Subsection (a), the agency may recover  
9 an overallocation of funds over a period not to exceed the  
10 subsequent five school years if the commissioner determines that  
11 the overallocation was the result of exceptional circumstances  
12 reasonably caused by statutory changes to this chapter or Chapter  
13 46 and related reporting requirements.

14 (c) If a district fails to comply with a request for a refund  
15 under Subsection (a), the agency shall certify to the comptroller  
16 that the amount constitutes a debt for purposes of Section 403.055,  
17 Government Code. The agency shall provide to the comptroller the  
18 amount of the overallocation and any other information required by  
19 the comptroller. The comptroller may certify the amount of the debt  
20 to the attorney general for collection.

21 (d) Any amounts recovered under this section shall be  
22 deposited to the credit of the available school fund.

23 Sec. 42A.206. FALSIFICATION OF RECORDS; REPORT. When, in  
24 the opinion of the agency's director of school audits, audits or  
25 reviews of accounting, enrollment, or other records of a school  
26 district reveal deliberate falsification of the records, or  
27 violation of the provisions of this chapter, through which the

1 district's share of funds allocated under the authority of this  
2 chapter would be, or has been, illegally increased, the director  
3 shall promptly and fully report the fact to the State Board of  
4 Education, the state auditor, and the appropriate county attorney,  
5 district attorney, or criminal district attorney.

6 SUBCHAPTER F. CONDITIONS APPLICABLE TO FUNDING BASED ON STUDENT

7 MULTIPLIERS

8 Sec. 42A.251. SPECIAL EDUCATION PROGRAMS. (a) For funding  
9 purposes, the number of contact hours credited per day for each  
10 student in the off-home campus instructional arrangement may not  
11 exceed the contact hours credited per day for the multidistrict  
12 class instructional arrangement in the 1992-1993 school year.

13 (b) For funding purposes, the number of contact hours  
14 credited per day for each student in the resource room;  
15 self-contained, mild and moderate; and self-contained, severe,  
16 instructional arrangements may not exceed the average of the  
17 statewide total contact hours credited per day for those three  
18 instructional arrangements in the 1992-1993 school year.

19 (c) The State Board of Education by rule shall prescribe the  
20 qualifications an instructional arrangement must meet in order to  
21 be funded as a particular instructional arrangement under this  
22 chapter. In prescribing the qualifications that a mainstream  
23 instructional arrangement must meet, the board shall establish  
24 requirements that students with disabilities and their teachers  
25 receive the direct, indirect, and support services that are  
26 necessary to enrich the regular classroom and enable student  
27 success.

1       (d) Funds received by a school district as a result of the  
2 district's weighted average daily attendance of students described  
3 by Sections 42A.102(b)(2)-(13), other than an indirect cost  
4 allowance established under State Board of Education rule, must be  
5 used in the special education program under Subchapter A, Chapter  
6 29.

7       (e) The agency shall encourage the placement of students in  
8 special education programs, including students in residential  
9 instructional arrangements, in the least restrictive environment  
10 appropriate for their educational needs.

11       (f) The State Board of Education shall adopt rules and  
12 procedures governing contracts for residential placement of  
13 special education students. The legislature shall provide by  
14 appropriation for the state's share of the costs of those  
15 placements.

16       (g) A school district that provides an extended year program  
17 required by federal law for special education students who may  
18 regress is entitled to receive funds in an amount equal to 75  
19 percent, or a lesser percentage determined by the commissioner, of  
20 the amount of state funds provided per student in weighted average  
21 daily attendance under Section 42A.101(b) for each full-time  
22 equivalent student in average daily attendance, multiplied by the  
23 amount designated for the student's instructional arrangement  
24 under Section 42A.102(b) for each day the program is provided  
25 divided by the number of days in the minimum school year. The total  
26 amount of state funding for extended year services under this  
27 subsection may not exceed \$10 million per year. A school district

1 may use funds received under this subsection only in providing an  
2 extended year program.

3 (h) From the total amount of funds appropriated for weighted  
4 average daily attendance of students described by Sections  
5 42A.102(b)(2)-(13), the commissioner shall withhold an amount  
6 specified in the General Appropriations Act and distribute that  
7 amount to school districts for programs under Section 29.014. The  
8 program established under that section is required only in school  
9 districts in which the program is financed by funds distributed  
10 under this subsection and any other funds available for the  
11 program. After deducting the amount withheld under this subsection  
12 from the total amount appropriated for weighted average daily  
13 attendance of students described by Sections 42A.102(b)(2)-(13),  
14 the commissioner shall reduce each district's allocation  
15 proportionately.

16 Sec. 42A.252. COMPENSATORY EDUCATION PROGRAMS. (a) In  
17 this section, "compensatory education funds" means funds received  
18 by a school district as a result of the district's weighted average  
19 daily attendance of students described by Sections 42A.102(b)(14)  
20 and (15).

21 (b) For purposes of Section 42A.102(b)(14), the number of  
22 educationally disadvantaged students is determined:

23 (1) by averaging the best six months' enrollment in the  
24 national school lunch program of free or reduced-price lunches for  
25 the preceding school year; or

26 (2) in the manner provided by commissioner rule, if no  
27 campus in the district participated in the national school lunch

1 program of free or reduced-price lunches during the preceding  
2 school year.

3 (c) Compensatory education funds, other than an indirect  
4 cost allowance established under State Board of Education rule,  
5 which may not exceed 48 percent, shall be used to fund supplemental  
6 programs and services designed to eliminate any disparity in  
7 performance on assessment instruments administered under  
8 Subchapter B, Chapter 39, or disparity in the rates of high school  
9 completion between students at risk of dropping out of school, as  
10 defined by Section 29.081, and all other students. Specifically,  
11 the funds may be used to meet the costs of providing a compensatory,  
12 intensive, or accelerated instruction program under Section 29.081  
13 or a disciplinary alternative education program established under  
14 Section 37.008, to pay the costs associated with placing students  
15 in a juvenile justice alternative education program established  
16 under Section 37.011, or to support a program eligible under Title I  
17 of the Elementary and Secondary Education Act of 1965, as provided  
18 by Pub. L. No. 103-382 and its subsequent amendments, and by  
19 federal regulations implementing that Act, at a campus at which at  
20 least 40 percent of the students are educationally disadvantaged.  
21 In meeting the costs of providing a compensatory, intensive, or  
22 accelerated instruction program under Section 29.081, compensatory  
23 education funds shall be used for costs supplementary to the  
24 regular education program, such as costs for program and student  
25 evaluation, instructional materials and equipment and other  
26 supplies required for quality instruction, supplemental staff  
27 expenses, salary for teachers of at-risk students, smaller class

1 size, and individualized instruction. A home-rule school district  
2 or an open-enrollment charter school must use compensatory  
3 education funds for a purpose authorized in this subsection but is  
4 not otherwise subject to Subchapter C, Chapter 29. For purposes of  
5 this subsection, a program specifically designed to serve students  
6 at risk of dropping out of school, as defined by Section 29.081, is  
7 considered to be a program supplemental to the regular education  
8 program, and a district may use compensatory education funds for  
9 such a program.

10 (d) Notwithstanding Subsection (c), compensatory education  
11 funds may be used to fund in proportion to the percentage of  
12 students served by the program that meet the criteria in Section  
13 29.081(d) or (g):

14 (1) an accelerated reading instruction program under  
15 Section 28.006(g); or

16 (2) a program for treatment of students who have  
17 dyslexia or a related disorder as required by Section 38.003.

18 (e) Notwithstanding Subsection (c), compensatory education  
19 funds may be used to fund a district's mentoring services program  
20 under Section 29.089.

21 (f) The agency shall evaluate the effectiveness of  
22 accelerated instruction and support programs provided under  
23 Section 29.081 for students at risk of dropping out of school.

24 (g) The State Board of Education, with the assistance of the  
25 comptroller, shall develop and implement by rule reporting and  
26 auditing systems for district and campus expenditures of  
27 compensatory education funds to ensure that compensatory education

1 funds are spent only to supplement the regular education program as  
2 required by Subsection (c). The reporting requirements shall be  
3 managed electronically to minimize local administrative costs. A  
4 district shall submit the report required by this subsection not  
5 later than the 150th day after the last day permissible for  
6 resubmission of information required under Section 42A.202.

7 (h) The commissioner shall develop a system to identify  
8 school districts that are at high risk of having used compensatory  
9 education funds other than in compliance with Subsection (c) or of  
10 having inadequately reported compensatory education expenditures.  
11 If a review of the report submitted under Subsection (g), using the  
12 risk-based system, indicates that a district is not at high risk of  
13 having misused compensatory education funds or of having  
14 inadequately reported compensatory education expenditures, the  
15 district may not be required to perform a local audit of  
16 compensatory education expenditures and is not subject to on-site  
17 monitoring under this section.

18 (i) If a review of the report submitted under Subsection  
19 (g), using the risk-based system, indicates that a district is at  
20 high risk of having misused compensatory education funds, the  
21 commissioner shall notify the district of that determination. The  
22 district must respond to the commissioner not later than the 30th  
23 day after the date the commissioner notifies the district of the  
24 commissioner's determination. If the district's response does not  
25 change the commissioner's determination that the district is at  
26 high risk of having misused compensatory education funds or if the  
27 district does not respond in a timely manner, the commissioner

1 shall:

2 (1) require the district to conduct a local audit of  
3 compensatory education expenditures for the current or preceding  
4 school year;

5 (2) order agency staff to conduct on-site monitoring  
6 of the district's compensatory education expenditures; or

7 (3) both require a local audit and order on-site  
8 monitoring.

9 (j) If a review of the report submitted under Subsection  
10 (g), using the risk-based system, indicates that a district is at  
11 high risk of having inadequately reported compensatory education  
12 expenditures, the commissioner may require agency staff to assist  
13 the district in following the proper reporting methods or amending  
14 a district or campus improvement plan under Subchapter F, Chapter  
15 11. If the district does not take appropriate corrective action  
16 before the 45th day after the date the agency staff notifies the  
17 district of the action the district is expected to take, the  
18 commissioner may:

19 (1) require the district to conduct a local audit of  
20 the district's compensatory education expenditures; or

21 (2) order agency staff to conduct on-site monitoring  
22 of the district's compensatory education expenditures.

23 (k) The commissioner, in the year following a local audit of  
24 compensatory education expenditures, shall withhold from a  
25 district's payment of funds under Section 42A.204 an amount equal  
26 to the amount of compensatory education funds the agency determines  
27 were not used in compliance with Subsection (c). The commissioner

1 shall release to a district funds withheld under this subsection  
2 when the district provides to the commissioner a detailed plan to  
3 spend those funds in compliance with Subsection (c).

4 (1) The commissioner shall grant a one-year exemption from  
5 the requirements of Subsections (g)-(k) to a school district in  
6 which the group of students who have failed to perform  
7 satisfactorily in the preceding school year on an assessment  
8 instrument required under Section 39.023(a), (c), or (l)  
9 subsequently performs on those assessment instruments at a level  
10 that meets or exceeds a level prescribed by commissioner rule. Each  
11 year the commissioner, based on the most recent information  
12 available, shall determine if a school district is entitled to an  
13 exemption for the following school year and notify the district of  
14 that determination.

15 Sec. 42A.253. BILINGUAL EDUCATION OR SPECIAL LANGUAGE  
16 PROGRAMS. (a) Funds received by a school district as a result of  
17 the district's weighted average daily attendance of students  
18 described by Section 42A.102(b)(16), other than an indirect cost  
19 allowance established under State Board of Education rule, must be  
20 used in providing bilingual education or special language programs  
21 under Subchapter B, Chapter 29, and must be accounted for under  
22 existing agency reporting and auditing procedures.

23 (b) Funds described by Subsection (a) may be used only for  
24 program and student evaluation, instructional materials and  
25 equipment, staff development, supplemental staff expenses, salary  
26 supplements for teachers, and other supplies required for quality  
27 instruction and smaller class size.

1       Sec. 42A.254. CAREER AND TECHNOLOGY EDUCATION. (a) Funds  
2 received by a school district as a result of the district's weighted  
3 average daily attendance of students described by Section  
4 42A.102(b)(17), other than an indirect cost allowance established  
5 under State Board of Education rule, must be used in providing  
6 career and technology education programs in grades nine through 12  
7 or career and technology education programs for students with  
8 disabilities in grades seven through 12 under Sections 29.182,  
9 29.183, and 29.184.

10       (b) The commissioner shall conduct a cost-benefit  
11 comparison between career and technology education programs and  
12 mathematics and science programs.

13       (c) Out of the total amount of funds appropriated for  
14 weighted average daily attendance of students described by Section  
15 42A.102(b)(17), the commissioner shall set aside an amount  
16 specified in the General Appropriations Act, which may not exceed  
17 an amount equal to one percent of the total amount appropriated, to  
18 support regional career and technology education planning. After  
19 deducting the amount set aside under this subsection from the total  
20 amount appropriated, the commissioner shall reduce each district's  
21 allocation proportionately.

22       Sec. 42A.255. GIFTED AND TALENTED STUDENT PROGRAMS. (a)  
23 Funds received by a school district as a result of the district's  
24 weighted average daily attendance of students described by Section  
25 42A.102(b)(18), other than the amount that represents the program's  
26 share of general administrative costs, must be used in providing  
27 programs for gifted and talented students under Subchapter D,

1 Chapter 29, including programs sanctioned by International  
2 Baccalaureate and Advanced Placement, or in developing programs for  
3 gifted and talented students. Each district must account for the  
4 expenditure of state funds as provided by rule of the State Board of  
5 Education. If by the end of the 12th month after receiving funds  
6 under this chapter for gifted and talented student programs for  
7 developing a program a district has failed to implement a program,  
8 the district must refund the funds received for gifted and talented  
9 student programs to the agency within 30 days.

10 (b) Not more than five percent of a district's students in  
11 average daily attendance are eligible for funding under this  
12 chapter for attendance in a gifted and talented student program.

13 (c) After each district has received allocated funds for  
14 this program, the State Board of Education may use up to \$500,000 of  
15 the funds allocated under this chapter for programs such as  
16 MATHCOUNTS, Future Problem Solving, Odyssey of the Mind, and  
17 Academic Decathlon, as long as these funds are used to train  
18 personnel and provide program services. To be eligible for funding  
19 under this subsection, a program must be determined by the State  
20 Board of Education to provide services that are effective and  
21 consistent with the state plan for gifted and talented education.

22 Sec. 42A.256. PUBLIC EDUCATION GRANTS. The total number of  
23 students for whom a student multiplier is applied under Section  
24 42A.102(b)(19) for a district may not exceed the number by which the  
25 number of students using public education grants to attend school  
26 in the district exceeds the number of students who reside in the  
27 district and use public education grants to attend school in

1 another district.

2 Sec. 42A.257. APPLICABILITY OF CONDITIONS TO SCHOOL  
3 DISTRICTS NOT INCLUDED IN SCHOOL FINANCE DISTRICT. The conditions  
4 prescribed by this subchapter apply to local tax revenue retained  
5 by a school district in the same manner that the conditions apply to  
6 state and local money distributed under this chapter.

7 SECTION 2. Section 12.106(a), Education Code, as effective  
8 September 1, 2017, is amended to read as follows:

9 (a) A charter holder is entitled to receive for the  
10 open-enrollment charter school funding under Chapter 42A [42] equal  
11 to the amount of state funding per student in weighted average daily  
12 attendance provided under that chapter to [~~excluding enrichment~~  
13 ~~funding under Section 42.302(a), to which the charter holder would~~  
14 ~~be entitled for the school under Chapter 42 if the school were]~~ a  
15 school district [~~without a tier one local share for purposes of~~  
16 ~~Section 42.253~~].

17 SECTION 3. Section 45.003(d), Education Code, is amended to  
18 read as follows:

19 (d) A proposition submitted to authorize the levy of  
20 maintenance taxes must include the question of whether the  
21 governing board or commissioners court may levy, assess, and  
22 collect annual ad valorem taxes for the further maintenance of  
23 public schools, at a rate not to exceed the rate stated in the  
24 proposition. [~~For any year, the maintenance tax rate per \$100 of~~  
25 ~~taxable value adopted by the district may not exceed the rate equal~~  
26 ~~to the sum of \$0.17 and the product of the state compression~~  
27 ~~percentage, as determined under Section 42.2516, multiplied by~~

1 ~~\$1.50.]~~

2 SECTION 4. The following provisions of the Education Code  
3 are repealed:

- 4 (1) Sections 12.106(a-1) and (a-2);
- 5 (2) Chapter 41;
- 6 (3) Chapter 42; and
- 7 (4) Sections 45.003(e) and (f).

8 SECTION 5. (a) As soon as practicable and not later than  
9 October 1, 2015, the commissioner of education, as required by  
10 Section 42A.052, Education Code, as added by this Act, shall:

11 (1) make the initial determination of permissible  
12 range of wealth; and

13 (2) notify each school district with a wealth per  
14 weighted student that is not within the permissible range of  
15 wealth.

16 (b) Each school district proposing to form a school finance  
17 district must submit the proposed agreement to the commissioner of  
18 education for approval not later than April 1, 2016.

19 (c) The commissioner of education shall approve or  
20 disapprove each proposed agreement not later than May 1, 2016.

21 (d) An election for voter approval of each proposed  
22 agreement approved by the commissioner of education must occur not  
23 later than December 1, 2016.

24 (e) Not later than May 1, 2017, the commissioner of  
25 education, as required by Section 42A.062, Education Code, as added  
26 by this Act, shall order the consolidation of each school district  
27 with a wealth per weighted student not within the permissible range

1 of wealth that failed to obtain voter approval of the formation of a  
2 school finance district.

3 (f) Notwithstanding any other provision of this section,  
4 the commissioner of education may modify the dates specified in  
5 this section or provide for additional deadlines as necessary to  
6 ensure that the system of public school funding provided by this Act  
7 is fully implemented beginning with the 2017 tax year and the  
8 2017-2018 school year.

9 SECTION 6. An obligation or entitlement of a school  
10 district in connection with state funding for the 2016-2017 or an  
11 earlier school year under Chapters 41 and 42, Education Code, as  
12 those chapters existed before repeal by this Act, is not affected by  
13 this Act, and the prior law is continued in effect for that purpose.

14 SECTION 7. (a) Subject to Subsection (b) of this section,  
15 this Act applies beginning with the 2017-2018 school year.

16 (b) Section 42A.058, Education Code, as added by this Act,  
17 applies beginning with the 2017 tax year.

18 SECTION 8. This Act takes effect immediately if it receives  
19 a vote of two-thirds of all the members elected to each house, as  
20 provided by Section 39, Article III, Texas Constitution. If this  
21 Act does not receive the vote necessary for immediate effect, this  
22 Act takes effect September 1, 2015.